

## Message Text

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ACTION NEA-10

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CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

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SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 PA-02 PRS-01

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 4308

INFO AMEMBASSY LONDON

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

UNCLAS NEW DELHI 2998

E.O. 11652: N/A

TAGS: ENRG IN

SUBJECT: GOI TAKEOVER OF BURMAH SHELL

1. ON FEBRUARY 24, 1976, THE GOI FINALIZED ITS TAKE OVER OF BURMAH SHELL'S REFINERY AND MARKETING COMPANY IN INDIA AT A TOTAL COST OF RS. 431 MILLION (EQUIVALENT TO ABOUT 23.6 MILLION POUNDS STERLING). THIS INCLUDES RS. 92.5 MILLION (5.1 MILLION POUNDS STERLING) FOR THE TRANSFER TO GOI OF THE BURMAH SHELL REFINERIES LTD., BOMBAY AND RS. 338.4 MILLION (18,548,421 POUNDS STERLING INCLUDING PRINCIPAL AND TAX FREE INTEREST) FOR THE ACQUISITION OF BURMAH SHELL STORAGE AND DISTRIBUTION COMPANY OF INDIA LTD. PARLIAMENT'S PASSAGE OF THE BURMAH SHELL (ACQUISITION OF UNDERTAKINGS IN INDIA) ACT, 1976. CALLS FOR FOUR EQUAL ANNUAL INSTALLMENTS OF THE PRINCIPAL OF 3,802,443 POUNDS STERLING TO BE PAID TO BURMAH SHELL IN LONDON BEGINNING MARCH 30, 1977 PLUS A DECLINING INTEREST PAYMENT.

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2. THE NEW PUBLIC SECTOR COMPANY TO OPERATE THE BS  
REFINERY HAS BEEN NAMED THE BHARAT REFINERIES LIMITED. A SEVEN  
MEMBER BOARD OF DIRECTORS INCLUDING A CHAIRMAN HAS BEEN ESTAB-  
LISHED TO OPERATE THE NEW COMPANY. IN ADDITION TO CHAIRMAN  
DR. S. KRISHNASWAMI, WHO WILL CONTINUE TO SERVE  
CONCURRENTLY AS CHAIRMAN AND MANAGING DIRECTOR  
OF HINDUSTAN PETROLEUM, THREE FORMER BURMAH SHELL OFFICIALS  
HAVE BEEN RETAINED - J.B. MALIK, RATTAN DAYAL, AND A.K.  
DESAI AND THREE GOI OFFICIALS HAVE BEEN  
APPOINTED - MR. RAMASWAMI, JOINT SECRETARY, MINISTRY  
OF PETROLEUM; R. NARASIMHAN, DIRECTOR, MINISTRY OF FINANCE AND  
B. KASIM, AN OFFICIAL IN THE BUREAU OF PUBLIC ENTERPRISES TO  
SERVE ON THE BOARD.

3. ACCORDING TO KRISHNASWAMI SINCE ESSO RETAINS 26 PERCENT  
EQUITY IN HINDUSTAN PETROLEUM THERE ARE NO IMMEDIATE PLANS TO  
MERGE THE TWO COMPANIES, BUT HE SAW ECONOMY IN SUCH A MOVE  
AT A LATER DATE. HOWEVER, IN VIEW OF THE PRESENT  
TREND FOR THE GOI TO GAIN COMPLETE CONTROL  
OF THE COUNTRY'S PETROLEUM SECTOR ESSO MAY BE PROMPTED  
TO SELL OUT SOONER THAN ITS SCHEDULED DEPARTURE DATE  
OF MARCH 1981. THE GOI NOW CONTROLS ABOUT 95 PERCENT OF  
INDIA'S PETROLEUM REFINERY AND MARKETING FACILITIES.

4. THE TAKE OVER OF BURMAH SHELL COINCIDES WITH THE OFFSHORE  
DEVELOPMENTS OFF THE BOMBAY HIGH AND THE EXPECTED ON-STREAM  
PRODUCTION OF CRUDE FROM THIS FIELD BY MID-APRIL WHICH HAS BEEN  
EARMARKED INITIALLY FOR THE BURMAH SHELL REFINERY. THE  
CAPACITY OF THE REFINERY IS AROUND 5.2 MILLION METRIC TONS.  
THE GOI HAS ADVANCED A SUM OF RS. 20 MILLION (DOLS 2.4 MILLION)  
FOR MAKING MINOR ALTERATIONS TO THE REFINERY TO ACCOMMODATE  
THE SWEET BUT WAXY BOMBAY HIGH CRUDE. THE  
INSTALLATION OF A DESALTER IS ALSO CALLED FOR AT A COST OF  
RS. 9 MILLION (DOLS 1.1 MILLION).

5. WITH THE PATTERN NOW SET BY BURMAH SHELL, NEGOTIATIONS ARE  
UNDERWAY FOR THE GOI TAKEOVER OF CALTEX AND ASSAM OIL, THE TWO  
REMAINING PRIVATE SECTOR OIL COMPANIES IN INDIA.  
THERE IS TALK OF TRYING TO WIND UP THESE NEGOTIATIONS  
DURING THE CURRENT FISCAL YEAR ENDING MARCH 31, 1976.  
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THERE IS NO INDICATION AS YET WHETHER OR NOT THE GOI INTENDS  
TO MOVE ON OIL INDIA LTD. IN WHICH THE GOVERNMENT OF INDIA AND  
BURMAH OIL COMPANY LTD. OF THE U.K. HAVE EQUAL SHARES.SAXBE

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